NEWAY GROUP HOLDINGS LIMITED
中星集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00055)

GROUP INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Neway Group Holdings Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	**Six months ended 30.6.2018** ***HK$'000*** **(Unaudited)**	30.6.2017 *HK$'000* (Unaudited)
Total revenue	*3*	**272,868**	220,359
Gross proceeds from sale of held-for-trading investments		**35,318**	36,954
		308,186	257,313
Revenue			
Revenue from goods and services		**266,897**	216,007
Rental income		**3,705**	3,147
Interest income from lending business		**2,266**	1,205
Total revenue	*3*	**272,868**	220,359
Cost of sales		**(214,085)**	(144,345)

* *For identification purpose only*

	Notes	Six months ended 30.6.2018 HK$'000 (Unaudited)	30.6.2017 HK$'000 (Unaudited)
Gross profit		**58,783**	76,014
Bank interest income		**1,183**	512
Other income		**3,984**	366
Selling and distribution expenses		**(13,532)**	(11,063)
Administrative expenses		**(56,989)**	(55,945)
Other gains and losses	*6*	**(11,971)**	(3,214)
Net reversal of expected credit losses on trade receivables and contract assets		**314**	–
Finance costs	*4*	**(1,098)**	(993)
Share of loss of joint ventures		**–**	(751)
(Loss) profit before taxation		**(19,326)**	4,926
Taxation charge	*5*	**(3,640)**	(1,013)
(Loss) profit for the period	*6*	**(22,966)**	3,913
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on an available-for-sale investment		**–**	2,267
Exchange differences arising on translation of foreign operations		**(15,938)**	14,552
		(15,938)	16,819
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(10,517)**	–
Other comprehensive (expense) income for the period		**(26,455)**	16,819
Total comprehensive (expense) income for the period		**(49,421)**	20,732
(Loss) profit for the period attributable to:			
Owners of the Company		**(22,835)**	4,011
Non-controlling interests		**(131)**	(98)
		(22,966)	3,913
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(49,290)**	20,830
Non-controlling interests		**(131)**	(98)
		(49,421)	20,732
Basic (loss) earnings per share *(HK cents)*	*8*	**(9.00)**	1.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**136,761**	125,412
Prepaid lease payments		**61,955**	63,444
Investment properties	9	**239,651**	229,166
Equity instruments at FVTOCI	10	**14,205**	–
Club membership		**3,404**	–
Available-for-sale investments		**–**	24,871
Interests in joint ventures		**421**	421
Deposits paid for acquisition of property, plant and equipment		**3,292**	5,544
		459,689	448,858
Current assets			
Inventories		**23,890**	42,552
Properties under development for sale		**44,873**	45,352
Held-for-trading investments		**–**	107,375
Derivative financial instrument		**–**	7,851
Financial assets at fair value through profit or loss ("**FVTPL**")	10	**100,299**	–
Equity instruments at FVTOCI	10	**14,031**	–
Available-for-sale investments		**–**	14,193
Trade and other receivables, prepayments and deposits	11	**170,114**	200,167
Contract assets		**26,039**	–
Loans to joint ventures		**3,207**	3,874
Loans receivable		**69,045**	31,056
Prepaid lease payments		**1,328**	1,345
Amounts due from related companies	11	**3,815**	1,310
Tax recoverable		**313**	–
Short-term bank deposits		**101,794**	102,879
Cash and cash equivalents		**153,155**	199,688
		711,903	757,642

	Note	30.6.2018	31.12.2017
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables and accruals	*12*	**101,135**	102,239
Contract liabilities		**3,273**	–
Tax liabilities		**5,550**	4,657
Amount due to a non-controlling shareholder of a subsidiary	*12*	**18,011**	18,011
Amount due to a related company		**1,615**	903
Obligations under finance leases – due within one year		**61**	182
Bank borrowings		**69,168**	59,893
		198,813	185,885
Net current assets		**513,090**	571,757
Total assets less current liabilities		**972,779**	1,020,615
Non-current liabilities			
Amount due to a related company		**–**	380
Deferred taxation		**11,520**	10,723
		11,520	11,103
Net assets		**961,259**	1,009,512
Capital and reserves			
Share capital		**2,536**	2,536
Reserves		**960,565**	1,008,687
Total attributable to owners of the Company		**963,101**	1,011,223
Non-controlling interests		**(1,842)**	(1,711)
Total equity		**961,259**	1,009,512

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Deemed contribution from a shareholder** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Properties revaluation reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2017 (audited)	2,536	368,949	188,957	63	103,571	56,223	–	116	195,959	916,374	(2,540)	913,834
Profit (loss) for the period	–	–	–	–	–	–	–	–	4,011	4,011	(98)	3,913
Other comprehensive income:												
Fair value gain on an available-for-sale investment	–	–	–	–	–	–	2,267	–	–	2,267	–	2,267
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	14,552	–	14,552	–	14,552
Total comprehensive income (expense) for the period	–	–	–	–	–	–	2,267	14,552	4,011	20,830	(98)	20,732
At 30 June 2017 (unaudited)	2,536	368,949	188,957	63	103,571	56,223	2,267	14,668	199,970	937,204	(2,638)	934,566
At 31 December 2017 (audited)	2,536	368,949	188,957	63	103,571	63,252	–	39,791	244,104	1,011,223	(1,711)	1,009,512
Adjustments *(note 2)*	–	–	–	–	–	–	(13,064)	–	14,232	1,168	–	1,168
At 1 January 2018 (restated)	2,536	368,949	188,957	63	103,571	63,252	(13,064)	39,791	258,336	1,012,391	(1,711)	1,010,680
Loss for the period	–	–	–	–	–	–	–	–	(22,835)	(22,835)	(131)	(22,966)
Other comprehensive expense:												
Fair value loss on equity instruments at FVTOCI	–	–	–	–	–	–	(10,517)	–	–	(10,517)	–	(10,517)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(15,938)	–	(15,938)	–	(15,938)
Total comprehensive expense for the period	–	–	–	–	–	–	(10,517)	(15,938)	(22,835)	(49,290)	(131)	(49,421)
At 30 June 2018 (unaudited)	2,536	368,949	188,957	63	103,571	63,252	(23,581)	23,853	235,501	963,101	(1,842)	961,259

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Neway Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 "Repayment Features with Negative Compensation" in advance of the effective date, i.e. 1 January 2019. The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from trading of printing products
- Revenue from manufacturing and sales of printing products

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 January 2018.

	Impact of adopting HKFRS 15 at 1 January 2018 *HK$'000*
Retained profits	
Revenue from manufacturing and sales of printing products recognised over time	3,074

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Inventories	42,552	–	(15,997)	26,555
Contract assets	–	–	19,071	19,071
Current liabilities				
Trade and other payables	102,239	(8,202)	–	94,037
Contract liabilities	–	8,202	–	8,202
Capital and reserves				
Retained profits	244,104	–	3,074	247,178

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Inventories	23,890	22,257	46,147
Contract assets	26,039*	(26,039)	–
Current liabilities			
Trade and other payables	101,135	3,273	104,408
Contract liabilities	3,273	(3,273)	–
Capital and reserves			
Retained profits	235,501	(3,782)	231,719

* *The amount includes the adjustment of impairment of contract assets of approximately HK$495,000 from the application of HKFRS 9.*

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Revenue from goods and services	266,897	(7,463)	259,434
Rental income	3,705	–	3,705
Interest income from lending business	2,266	–	2,266
Total revenue	272,868	(7,463)	265,405
Cost of sales	(214,085)	6,260	(207,825)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

In the current interim period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets and contract assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *HK$'000*	Held-for-trading investments *HK$'000*	Derivative financial instrument *HK$'000*	Financial assets at FVTPL *HK$'000*	Equity investments at FVTOCI *HK$'000*	Club membership *HK$'000*	Amortised cost (previously classified as loans and receivables) *HK$'000*	Contract assets *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*
Closing balance at 31 December 2017 – HKAS 39	39,064	107,375	7,851	–	–	–	528,654	–	–	244,104
Effect arising from initial application of HKFRS 15	–	–	–	–	–	–	–	19,071	–	3,074
Effect arising from initial application of HKFRS 9:										
Reclassification										
From available-for-sale	(39,064)	–	–	–	35,660	3,404	–	–	(13,347)	13,347
From held-for-trading	–	(107,375)	–	107,375	–	–	–	–	–	–
From derivative financial instrument	–	–	(7,851)	7,851	–	–	–	–	–	–
Remeasurement										
Impairment under ECL model	–	–	–	–	–	–	(1,905)	(284)	–	(2,189)
From cost less impairment to fair value	–	–	–	–	283	–	–	–	283	–
Opening balance at 1 January 2018	–	–	–	115,226	35,943	3,404	526,749	18,787	(13,064)	258,336

All loss allowances for financial assets including contract assets and trade receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Contract assets *HK$'000*	**Trade receivables** *HK$'000*
At 31 December 2017 – HKAS 39	N/A	(3,127)
Amounts remeasured	(284)	(1,905)
At 1 January 2018	(284)	(5,032)

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2.3 Impact on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	At 31 December 2017 *HK$'000* (Audited)	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	At 1 January 2018 *HK$'000* (Restated)
Non-current Assets				
Property, plant and equipment	125,412	–	–	125,412
Prepaid lease payments	63,444	–	–	63,444
Investment properties	229,166	–	–	229,166
Equity instruments at FVTOCI	–	–	21,750	21,750
Club membership	–	–	3,404	3,404
Available-for-sale investments	24,871	–	(24,871)	–
Interests in joint ventures	421	–	–	421
Deposit paid for acquisition of property, plant and equipment	5,544	–	–	5,544
	448,858	–	283	449,141
Current assets				
Inventories	42,552	(15,997)	–	26,555
Properties under development for sale	45,352	–	–	45,352
Held-for-trading investments	107,375	–	(107,375)	–
Derivative financial instrument	7,851	–	(7,851)	–
Financial assets at FVTPL	–	–	115,226	115,226
Equity instruments at FVTOCI	–	–	14,193	14,193
Available-for-sale investments	14,193	–	(14,193)	–
Trade and other receivables, prepayments and deposits	200,167	–	(1,905)	198,262
Contract assets	–	19,071	(284)	18,787
Loans to joint ventures	3,874	–	–	3,874
Loans receivable	31,056	–	–	31,056
Prepaid lease payments	1,345	–	–	1,345
Amounts due from related companies	1,310	–	–	1,310
Short-term bank deposits	102,879	–	–	102,879
Cash and cash equivalents	199,688	–	–	199,688
	757,642	3,074	(2,189)	758,527

	At 31 December 2017	HKFRS 15	HKFRS 9	At 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)			(Restated)
Current liabilities				
Trade and other payables and accruals	102,239	(8,202)	–	94,037
Contract liabilities	–	8,202	–	8,202
Tax liabilities	4,657	–	–	4,657
Amount due to a non-controlling shareholder of a subsidiary	18,011	–	–	18,011
Amount due to a related company	903	–	–	903
Obligations under finance leases – due within one year	182	–	–	182
Bank borrowings	59,893	–	–	59,893
	185,885	–	–	185,885
Net current assets	571,757	3,074	(2,189)	572,642
Total assets less current liabilities	1,020,615	3,074	(1,906)	1,021,783
Non-current liabilities				
Amount due to a related company	380	–	–	380
Deferred taxation	10,723	–	–	10,723
	11,103	–	–	11,103
Net assets	1,009,512	3,074	(1,906)	1,010,680
Capital and reserves				
Share capital	2,536	–	–	2,536
Reserves	1,008,687	3,074	(1,906)	1,009,855
Total attributable to owners of the Company	1,011,223	3,074	(1,906)	1,012,391
Non-controlling interests	(1,711)	–	–	(1,711)
Total equity	1,009,512	3,074	(1,906)	1,010,680

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments are therefore as follows:

(a) Provision of technical consultancy service and sales of gaming machines ("**Gaming Consultancy and Distribution Business**");

(b) Money lending ("**Lending Business**");

(c) Manufacturing and sales of printing products ("**Manufacturing and Sales Business**");

(d) Artistes management, production and distribution of music albums ("**Music and Entertainment Business**");

(e) Property development and investment ("**Property Business**"), including properties development projects and properties leasing and investments in the People's Republic of China (the "**PRC**"), mini storage business and office leasing and properties leasing and investments in Hong Kong;

(f) Securities trading ("**Securities Trading Business**"); and

(g) Trading of printing products ("**Trading Business**").

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Revenue		Segment (loss) profit	
	Six months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gaming Consultancy and Distribution Business	**385**	972	**(7,433)**	(14,029)
Lending Business	**2,266**	1,205	**1,189**	621
Manufacturing and Sales Business	**241,981**	192,495	**4,348**	22,991
Music and Entertainment Business	**8,642**	6,216	**(3,188)**	(1,086)
Property Business	**3,705**	3,147	**12,287**	10,395
Securities Trading Business	**–**	–	**(21,898)**	(10,156)
Trading Business	**15,889**	16,324	**1,031**	1,314
Total	**272,868**	220,359	**(13,664)**	10,050
Bank interest income			**1,183**	512
Unallocated other income and other gains and losses			**4**	2
Unallocated corporate expenses			**(6,849)**	(5,635)
Unallocated share of results of joint ventures			**–**	(3)
(Loss) profit before taxation			**(19,326)**	4,926

All of the segment revenue reported above was from external customers.

Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of bank interest income, unallocated other income and other gains and losses, unallocated corporate expenses and unallocated share of results of joint ventures. This is the measure reported to the Group's management for the purposes of resources allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Gaming Consultancy and Distribution Business	**1,429**	3,537
Lending Business	**72,171**	32,539
Manufacturing and Sales Business	**312,350**	308,153
Music and Entertainment Business	**10,849**	10,825
Property Business	**320,030**	309,532
Securities Trading Business	**95,803**	130,841
Trading Business	**17,772**	17,855
Total segment assets	**830,404**	813,282
Other assets	**341,188**	393,218
Consolidated assets	**1,171,592**	1,206,500
Segment liabilities		
Gaming Consultancy and Distribution Business	**1,005**	764
Lending Business	**1,516**	1,899
Manufacturing and Sales Business	**135,917**	117,970
Music and Entertainment Business	**5,605**	3,972
Property Business	**44,236**	45,109
Securities Trading Business	**65**	130
Trading Business	**7,448**	10,061
Total segment liabilities	**195,792**	179,905
Other liabilities	**14,541**	17,083
Consolidated liabilities	**210,333**	196,988

4. FINANCE COSTS

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**1,050**	459
Amount due to a related company	**46**	529
Obligations under finance leases	**2**	5
	1,098	993

5. TAXATION CHARGE

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax for the period:		
Hong Kong	**(352)**	(2,785)
The PRC	**(2,557)**	(87)
	(2,909)	(2,872)
Deferred tax (charge) credit	**(731)**	1,859
Taxation charge	**(3,640)**	(1,013)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate on the PRC subsidiaries is 25%.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**8,492**	5,059
Amortisation of prepaid lease payments	**687**	359
Included in other gains and losses:		
Net foreign exchange (gain) loss	**(924)**	1,629
Decrease in fair value in financial assets at FVTPL	**22,422**	–
Decrease in fair value in held-for-trading investments	**–**	10,053
Increase in fair value in investment properties	**(10,697)**	(13,005)
Decrease in fair value in derivative financial instrument	**–**	2,837
Gain on disposal of property, plant and equipment	**(248)**	(3,697)
Loss on disposal of an available-for-sale investment	**–**	5,397
Impairment loss recognised in respect of loan to a joint venture	**1,418**	–
	11,971	3,214

7. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. The directors of the Company did not recommend the payment of an interim dividend in respect of the current interim period.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company for the current interim period is based on the following data:

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the purpose of basic earnings per share ((loss) profit for the period)	**(22,835)**	4,011

	30.6.2018	30.6.2017
Number of shares		
Weighted average number of shares in issue for the purpose of basic (loss) earnings per share	**253,639,456**	253,639,456

No diluted (loss) earnings per share has been presented as there were no potential ordinary shares outstanding during the current or prior period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

Property, plant and equipment

During the current interim period, the Group's addition to property, plant and equipment was approximately HK$21,710,000 (six months ended 30 June 2017: approximately HK$5,223,000).

As at 30 June 2018, properties, plant and equipment with an aggregate carrying value of approximately HK$10,964,000 (31 December 2017: approximately HK$11,175,000) have been pledged to bank to secure banking facilities granted to the Group.

As at 30 June 2018, the carrying values of motor vehicles included an amount of approximately HK$282,000 (31 December 2017: approximately HK$371,000) in respect of assets held under finance leases.

Investment properties

The increase in fair value of investment properties of HK$10,697,000 has been recognised directly in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$13,005,000).

The fair value of investment properties as at 30 June 2018 and 31 December 2017 have been arrived at on the basis of valuations carried out by Citiland Surveyors Limited and Peak Vision Appraisals Limited for properties located in Hong Kong and 北京市洪州資產評估有限責任公司 for properties located in the PRC. They are independent qualified professional valuers not related to the Group.

The fair values were determined based on the direct comparison approach assuming sale of each of these properties in existing state and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the nature and location or where appropriate by income capitalisation approach deriving from the market rentals of all lettable units of the properties and discounting at the market yield expected by investors.

As at 30 June 2018, investment properties with aggregate carrying value of HK$222,775,000 (31 December 2017: HK$211,195,000) have been pledged to banks to secure bank borrowing and general banking facilities granted to the Group.

10. EQUITY INSTRUMENTS AT FVTOCI/FINANCIAL ASSETS AT FVTPL

Equity instruments at FVTOCI

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted equity securities established in the PRC *(note)*	**14,031**	–
Unlisted equity securities established in Hong Kong and overseas	**14,205**	–
	28,236	–
Analysed for reporting purposes as:		
Non-current asset	**14,205**	–
Current asset	**14,031**	–
	28,236	–

Note: As at 30 June 2018, the Group has an obligation to dispose of an indirect wholly-owned subsidiary which holds 16.67% equity interest in Sichuan Yinghua Real Estate Co Ltd.（四川英華房地產有限公司）(“**Yinghua**”) in cash in the future. The disposal of Yinghua is expected to be completed within one year and thus this equity investment at FVTOCI is classified as current asset as at 30 June 2018.

Financial assets at FVTPL

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Listed equity investments in Hong Kong	**92,448**	–
Derivative financial instrument *(Note)*	**7,851**	–
	100,299	–

Note: As mentioned above, the Group has an obligation to dispose of the indirect wholly-owned subsidiary which holds 16.67% equity interest in Yinghua in cash in the future. Such forward contract is classified as financial asset at FVTPL in accordance with HKFRS 9.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS/AMOUNTS DUE FROM RELATED COMPANIES

The Group's credit terms on Manufacturing and Sales Business and Trading Business generally range from 60 to 90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. The Group allows an average credit period of 60 to 90 days to its customers of the Music and Entertainment Business. The following is an ageing analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Manufacturing and Sales Business and Trading Business:		
0 – 30 days	**62,448**	68,616
31 – 60 days	**31,162**	36,088
61 – 90 days	**22,019**	17,695
Over 90 days	**12,380**	26,025
	128,009	148,424
Music and Entertainment Business:		
0 – 30 days	**1,646**	2,093
31 – 60 days	**109**	933
61 – 90 days	**272**	144
Over 90 days	**541**	528
	2,568	3,698
Total trade receivables	**130,577**	152,122
Deposits with brokers' houses	**3,166**	23,278
Deposits, prepayments and other receivables	**36,371**	24,767
	170,114	200,167

Amounts due from related companies are trade nature, unsecured and interest-free. A credit term of 30 days has been granted to the related companies. The following is an ageing analysis of the amounts due from related companies presented based on invoice date at the end of the reporting period.

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**2,099**	336
31 – 60 days	**617**	230
61 – 90 days	**314**	208
91 – 180 days	**100**	303
Over 180 days	**685**	233
	3,815	1,310

12. TRADE AND OTHER PAYABLES AND ACCRUALS/AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

An aging analysis of the trade payables presented based on the invoice date is as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**47,298**	47,259
31 – 60 days	**6,602**	6,512
61 – 90 days	**180**	2,065
Over 90 days	**1,817**	1,901
	55,897	57,737
Accrued expenses and other payables	**45,238**	44,502
	101,135	102,239

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

Rental deposit received of HK$1,110,000 (31 December 2017: HK$1,110,000) in respect of the non-cancellable operating leases with a related party is included in other payables as at 30 June 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (six months ended 30 June 2017: Nil).

REVIEW OF OVERALL FINANCIAL RESULTS

For the Period, revenue of the Group amounted to approximately HK$272.9 million (six months ended 30 June 2017: approximately HK$220.4 million), representing an increase of approximately 23.8% as compared with the six months ended 30 June 2017.

Gross profit for the Period amounted to approximately HK$58.8 million (six months ended 30 June 2017: approximately HK$76.0 million). Gross profit margin dropped by approximately 13.0 percentage points to approximately 21.5% for the Period (six months ended 30 June 2017: approximately 34.5%).

Loss for the Period amounted to approximately HK$23.0 million (six months ended 30 June 2017: profit of approximately HK$3.9 million). The loss recorded for the Period was mainly attributable to: (i) net fair value loss in financial assets at fair value through profit or loss ("**FVTPL**") of approximately HK$22.4 million (six months ended 30 June 2017: fair value loss in held-for-trading investments of approximately HK$10.1 million under the application of HKFRS 39); and (ii) drop in segment profit for the Manufacturing and Sales Business by approximately 81.1% to HK$4.3 million (six months ended 30 June 2017: approximately HK$23.0 million). These factors will be further explained below.

REVIEW OF OPERATIONS AND PROSPECTS

Gaming Consultancy and Distribution Business

The Gaming Consultancy and Distribution Business includes (i) the provision of technical consultancy service; and (ii) the sales of gaming machines provided by Takara Gaming Solutions Limited ("**Takara Gaming**"), a company principally engaged in gaming business which is indirectly held as to approximately 75.49% by a discretionary trust for the benefits of the immediate family member(s) of Mr. Suek Ka Lun, Ernie, an executive Director and the chairman of the Company.

During the Period, 中星皓天科技(深圳)有限公司 (unofficial English name being Zhongxing Haotian Technology (Shenzhen) Co., Ltd.) ("**Zhongxing Haotian**"), a wholly-owned subsidiary of the Company established in the People's Republic of China (the "**PRC**"), entered into a service contract with Takara Gaming, pursuant to which the Group was engaged to develop certain software products and provide technical training and support for Takara Gaming. At the same time, a cost reduction strategy was adopted and the expenses incurred in this segment decreased by approximately 15.0% for the Period as compared with the six months ended 30 June 2017. Overall, the Gaming Consultancy and Distribution Business recorded a decrease in segment loss of approximately 47.0% for the Period as compared with the six months ended 30 June 2017.

Subsequent to the end of the Period, Zhongxing Haotian entered into a further service contract with the wholly-owned subsidiary of Takara Gaming to provide technical consultancy service relating to multimedia application software. For further details, please refer to the announcement of the Company dated 31 July 2018.

Looking forward, the management believes that the services provided by Zhongxing Haotian to the Takara Gaming and its subsidiary will improve the segment results of the Gaming Consultancy and Distribution Business. The Group will also continue to adopt the cost reduction strategy throughout the year of 2018.

Lending Business

The Lending Business includes the financial leasing business in Shanghai, the PRC and the money lending business in the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"). For the financial leasing business in Shanghai, the PRC, no transaction was conducted during the Period and the Group is still in search for deals with potential.

For the money lending business in Hong Kong, the Group has paid more efforts to actively expand its customer base and loan portfolio, and participated in more joint loan arrangements with other licensed money lenders in Hong Kong during the Period. The Group's loan portfolio increased to approximately HK$69.0 million as at 30 June 2018 (31 December 2017: approximately HK$31.1 million). Customers of the business included both individuals and corporate entities and the loans were secured by properties located in Hong Kong. No default has been recorded since the commencement of the business and all interest income was received on time.

For the Period, loan interest income increased by approximately 88.0% to approximately HK$2.3 million (six months ended 30 June 2017: approximately HK$1.2 million). The increase in loan interest income was mainly resulted from the increase in loan portfolio during the Period.

The Group will continue to actively seek for new customers and allocate more financial resources to expand this business in the future. The Group will also closely monitor the repayment abilities of borrowers and perform risk assessments on each loan application prudently.

Manufacturing and Sales Business

Segment profit margin of the Manufacturing and Sales Business for the Period amounted to approximately 1.8% (six months ended 30 June 2017: approximately 11.9%). The drop in segment profit margin was mainly due to the following reasons:

(i) the decrease in gain on disposal of plants and equipment to approximately HK$248,000 recorded during the Period (six months ended 30 June 2017: approximately HK$3.7 million);

(ii) the increase in material consumption rate and change in product mix. The prices of materials, especially certain main materials such as paper, increased significantly in late 2017 and in early 2018 which contributed to the increase in material costs recorded in this segment for the Period. Although the increasing trend for certain material prices have been stabilised during later part of the Period, the average material costs of the inventories being used in the production during the Period was still relatively high. As such, the overall material consumption rate was pushed up. In addition, it is noted that the revenue from some products with lesser material requirement decreased for the Period which also pushed up the overall material consumption rate of this segment; and

(iii) the appreciation of Renminbi against Hong Kong dollars during the Period. The average exchange rate of Renminbi to Hong Kong dollars increased by approximately 5.0% as compared with the six months ended 30 June 2017. The fluctuation brought a negative impact on the segment profit as most of the production and operating expenses were dominated in Renminbi and approximately 70.0% of the sales of this segment were dominated in Hong Kong dollars.

During the Period, the Group has been reviewing the performance of its existing manufacturing machinery for printing products and has contracted to acquire certain machinery to increase the production capacity and efficiency for its business of manufacturing of label products. The Group has also contracted to acquire certain machinery for its manufacturing of packaging and paper products subsequent to the end of the Period.

More challenges are facing the printing industry, including but not limited to (i) the volatile raw material prices; (ii) the increase in labour costs in Shenzhen, the PRC; (iii) the various stringent environmental requirements imposed in Shenzhen, the PRC; and (iv) the global economic uncertainty due to the trade war between the United States and the PRC. To cope with such challenges and to maintain the profit earned from this segment, the Group will continue to put more efforts in the following areas in the second half of the year: (i) enhancing efficiency and effectiveness by streamlining the production process of its factories so as to reduce operation and production wastage; (ii) facilitating talent recruitment, providing value-added services and upgrading technology infrastructure; (iii) enhancing quality management of its products; (iv) sourcing and testing the quality of alternative materials and negotiating for more favourable terms with vendors; and (v) expanding its market share to cover high value products and securing a foothold in the paper shopping bag market.

In 2017, the Group completed the land swap transaction with Guangdong Qingyuan New High Technology Industrial Development Zone Management Committee and the Qingyuan government and acquired a new parcel of land with a total area of 312 mu situated in Qingcheng District, Qingyuan City, the PRC (the "**Qingcheng Land**"). The Group completed the feasibility study of the Qingcheng Land in early 2018 and decided to utilise part of the land to construct a new production plant for Manufacturing and Sales Business. During the Period, the Group has entered into an earthwork construction contract with the contractor for excavating, loading and cleaning of excavators, repairing slopes, and removing underground obstacles and all obstructions on the ground for the construction of the new production plant on the Qingcheng Land in the foreseeable future. The Group is considering the possible development of the remaining portion of the Qingcheng Land.

Music and Entertainment Business

Loss from this segment for the Period was approximately HK$3.2 million (six months ended 30 June 2017: approximately HK$1.1 million). The increase in segment loss was mainly due to (i) decrease in sales of albums and income from the licensing of the musical works by approximately HK$1.2 million; and (ii) increase in loss arising from concerts and shows by approximately HK$519,000.

During the year of 2017, the Group has invested in a music concert, which is to be performed by a popular Hong Kong singer and held in the PRC. As at the date of this announcement, the organiser is still negotiating the terms and conditions with the venue provider and the concert has yet to be held.

Furthermore, during the Period, the Group has contracted to acquire a private company from a connected person which is principally engaged in artistes management business at the consideration of approximately HK$271,000. The acquisition has been completed as at the date of this announcement.

To improve the segment performance, the Group will allocate more resources in song licensing, talent cultivation and further invest in concerts and shows organised in Hong Kong and the PRC. In view of the desirable investment return from films generated in previous years, the Group will continue to invest in the film and entertainment market in the PRC and to identify and evaluate potential projects in the PRC and overseas.

Property Business

Property development business

The Group had two property development projects as at 30 June 2018. One of which involved 四川英華房地產有限公司 (unofficial English translation being Sichuan Yinghua Real Estate Co. Ltd.) ("**Yinghua**") and was classified as an equity instrument at fair value through other comprehensive income ("**FVTOCI**") of the Group. The other project involved 清遠市中清房地產開發有限公司 (unofficial English translation being Qingyuan Zhongqing Property Development Co., Ltd.) ("**Zhongqing**"), a non-wholly owned subsidiary of the Company.

Yinghua holds the land use right of a parcel of commercial land in Chengdu, the PRC. The related property consisted of both residential and commercial units. On 24 July 2017, the Group served an exercise notice to Kwong Da Enterprise Limited ("**Kwong Da**"), a Hong Kong company that indirectly owns equity interest of Yinghua, to exercise the put option by which Kwong Da shall acquire the entire issued share capital of a subsidiary of the Company indirectly owning 16.67% of Yinghua at the put option consideration of RMB30 million (the "**Disposal of Yinghua**"). Such put option consideration was calculated by RMB52 million less the repaid amount of the Group's shareholder's loan to Yinghua in 2013 as 16.67% of the performance target of Yinghua was less than RMB52 million and no dividend was received by the Group from Yinghua. Completion of such disposal was originally agreed to take place on or before 10 January 2018.

On 10 January 2018, the Group agreed with Kwong Da in writing to extend the completion date to a day on or before 31 May 2018 (or such other date as may be agreed by both parties in writing) and Kwong Da has agreed and undertaken to pay interest on the outstanding put option consideration of RMB22 million at the rate of 10% per annum, calculated from 10 January 2018 to the completion date. On 31 May 2018, the Company announced that completion of such disposal has not yet taken place and the Company was closely following up with Kwong Da. The Group received interests and part payment of the put option consideration subsequent to the end of the Period and the completion date was further extended to a day on or before 31 December 2018 (or such other date as may be agreed by both parties in writing). As at the date of this announcement, the outstanding put option consideration is RMB19.8 million.

Zhongqing holds the land use rights of two parcels of commercial land in Qingyuan, the PRC. On 18 June 2014, 深圳中星國盛投資發展有限公司 (unofficial English translation being Shenzhen Zhongxing Guosheng Investment Development Co. Ltd.) ("**Zhongxing Guosheng**"), a wholly-owned subsidiary of the Company, initiated civil proceedings against Zhongqing in the People's Court of Baoan District for, among other matters, the repayment of the shareholder's loan contributed by Zhongxing Guosheng in an amount of RMB23,479,330 (the "**Litigation**"). On 19 June 2014, pursuant to an application made by Zhongxing Guosheng to freeze and preserve the assets of Zhongqing in the total value of RMB23,400,000, an order was granted by the People's Court of Baoan District to freeze and preserve the two parcels of land owned by Zhongqing from 24 June 2014 to 23 June 2016 (the "**Freeze Order**"). The Freeze Order aimed to ensure that Zhongqing has sufficient assets to repay the shareholder's loan to the Group.

Two hearing sessions of the Litigation were held on 18 August 2014 and 25 September 2014 respectively. On 15 October 2014, the Group received a civil mediation document dated 30 September 2014 and issued by the People's Court of Baoan District, acknowledging that: (i) the Group and Zhongqing confirmed that Zhongqing was indebted to Zhongxing Guosheng in the sum of RMB23,479,330; (ii) Zhongqing agreed to repay to Zhongxing Guosheng the sum of RMB23,479,330, together with the interests accrued from 18 June 2014 to the date of repayment, which was within 15 days of the effective date of the civil mediation document; and (iii) if Zhongqing fails to repay the agreed amount, Zhongxing Guosheng shall be entitled to request Zhongqing to pay default interests calculated at two times of the lending rate of the People's Bank of China over the same period.

As advised by the Group's PRC legal advisers, the effective date of the civil mediation document was 15 October 2014 and thus, the deadline for repayment by Zhongqing was 30 October 2014. As at the date of this announcement, Zhongqing has not repaid the outstanding shareholder's loan and accrued interests to Zhongxing Guosheng.

On 27 May 2016, Zhongxing Guosheng submitted an application to the People's Court of Baoan District for the extension of the period covered by the Freeze Order and the application was accepted by the court. The extended period covered by the Freeze Order is from 13 June 2016 to 12 June 2019. During the Period, the management of the Group has assessed the relevant costs and reviewed the land auction procedures in resolving the land freezing matter. The Directors reasonably expects that necessary steps will be taken by the Group by the end of this year to address the issue.

Property investment business

The property investment business included (i) the mini storage business operated by a wholly-owned subsidiary of the Company; (ii) the office leasing business operated by a joint venture; and (iii) the leasing of several commercial units in Hong Kong and the PRC during the Period.

Mini storage business

The Group renovated the ground floor, 1st floor, 2nd floor and half of the floor area of the 4th floor of a self-owned industrial building in Fanling, Hong Kong (the "**Fanling Building**") in 2014 for the operation of the mini storage business. As at 30 June 2018, the occupancy rate of the storage units slightly decreased to approximately 86% (31 December 2017: approximately 92%).

During the Period, in order to meet the safety requirements stipulated by relevant government authorities, the Group engaged a contractor to renovate the ground floor and 1st floor of the Fanling Building. As at 30 June 2018, the renovation work remained in progress and was expected to be completed in 2019. As some storage units were not available for lease to the customers during the renovation period, the occupancy rate of the storage units has been slightly affected. The Group will closely monitor the progress of the renovation work and minimise its impact to the customers. On the other hand, depending on the market condition, the Group may also consider the disposal of the whole or part of the Fanling Building, which may result in the cessation or disposal of the Group's mini storage business.

Office leasing business

The office leasing business, being the operation of the business service centre in Kwun Tong, Hong Kong, is operated by Estate Summit Limited, a joint venture of the Group and an independent third party with extensive management and operating experience. A brand name of "Prime Business Centres" was established. As at 30 June 2018, the occupancy rate decreased to approximately 71% (31 December 2017: approximately 94%) as a result of keen competition in the Kwun Tong district, Hong Kong. More marketing efforts will be devoted to boost the occupancy rate of the business service centre. During the Period, the Group has recognised an impairment loss in respect of a loan to a joint venture of approximately HK$1,418,000 due to prolonged financial loss incurred by Estate Summit Limited.

Properties leasing and investment

The properties leasing business involved two properties of the Group. The first properties are commercial properties situated in Yuen Long, Hong Kong (the "**Yuen Long Properties**"), which were leased to a related company of the Group and were operating as a karaoke outlet as at 30 June 2018. The revenue from such lease remained stable as compared with the six months ended 30 June 2017. The second property is a commercial property situated in Beijing, the PRC (the "**Beijing Property**"). The Beijing Property was re-classified as an investment property during the year of 2017 upon the change of property usage. During the Period, the Beijing Property was leased to an independent third party.

Based on the Group's accounting policies, the Fanling Building, the Yuen Long Properties and the Beijing Property were classified as investment properties and were carried at fair value as at 30 June 2018. A fair value gain of approximately HK$10.7 million was recorded in "other gain and loss" during the Period (six months ended 30 June 2017: approximately HK$13.0 million).

Securities Trading Business

During the Period, the Group recorded a fair value loss of approximately HK$22.4 million (six months ended 30 June 2017: approximately HK$10.1 million), a realised loss of approximately HK$4.2 million (six months ended 30 June 2017: approximately HK$18.2 million) and a dividend income of approximately HK$1.4 million (six months ended 30 June 2017: approximately HK$13,000) in respect of Hong Kong listed securities held by it. The Group also recorded a net fair value loss on equity instruments at FVTOCI of approximately HK$10.5 million in respect of its unlisted equity investments during the Period.

Set out below is the breakdown of the Group's equity instruments at FVTOCI and financial assets at FVTPL as at 30 June 2018:

Description of investments	Notes	Form of investment	Principal activities of invested companies	Percentage of total share capital held by the Group	Carrying amount as at 30 June 2018 *HK$'000*	Percentage to the Group's unaudited net assets as at 30 June 2018 *(approximate)*	Percentage to the Group's unaudited total assets as at 30 June 2018 *(approximate)*
Top five investments of the Group in terms of value as at 30 June 2018							
Wang On Properties Limited (stock code: 1243)		Finance assets at FVTPL	Property development and property investment in Hong Kong	0.44%	60,553	6.3%	5.2%
Equity investment in Yinghua		Equity instruments at FVTOCI	Property development in the PRC	16.67%	14,031	1.5%	1.2%
Zhong Wei Capital, L.P.		Equity instruments at FVTOCI	Offshore investment fund	1.33%	10,961	1.0%	0.8%
Derivative financial instrument in Yinghua		Finance assets at FVTPL	Property development in the PRC	16.67%	7,851	0.8%	0.7%
Earthasia International Holdings Limited (stock code: 6128)		Finance assets at FVTPL	Landscape architecture in Hong Kong and Mainland China and catering business in Mainland China and Italy	0.35%	5,535	0.6%	0.5%
Other investments							
Other equity investments, at fair value	*(a)*	Equity instruments at FVTOCI	–n/a–		3,244	1.2%	1.0%
Other equity securities listed in Hong Kong	*(b)*	Finance assets at FVTPL	–n/a–		26,360	2.3%	1.9%
Total					128,535	13.4%	11.0%

Notes:

(a) Equity investments carried at fair value under this category represented the Group's investments in a company incorporated overseas.

(b) Equity securities listed in Hong Kong under this category represented the Group's investments in 20 companies whose shares are listed on the Main Board or GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Each of such investments has a carrying amount that accounts for less than 5% of the Group's unaudited net assets as at 30 June 2018.

The Group will carefully study the market and the information related to the prospective investees before purchasing any securities, and will closely monitor the performance of the investments after purchase as well as adjust the investment strategy in a cautious manner as and when necessary to minimise the impact of market volatility.

Trading Business

Revenue from the Trading Business decreased slightly by approximately 2.7% to approximately HK$15.9 million for the Period (six months ended 30 June 2017: approximately HK$16.3 million). Segment profit margin for the Period also dropped to approximately 6.5% (six months ended 30 June 2017: approximately 8.0%). The decrease in both revenue and profit margin was mainly due to the drop in sales of the trading company in the PRC as more sales focus was placed on the Manufacturing and Sales Business during the Period. The Group will redefine the sales strategy of the trading company in the PRC, devote extra resources to expand its sales team in both Hong Kong and the PRC so as to broaden its customer base and improve its product mix.

Other Business Plans

The Group has been negotiating with a 5-star international hotel in the PRC in relation to the terms and conditions of its possible rental of certain spaces in the hotel to develop the business of provision of food and beverage and entertainment services in the PRC. The lease agreement is still under review by the management of the Group and has not been concluded as at the date of this announcement.

The Board would like to emphasise that the future plans of different business segments mentioned above are in preliminary stage only and unless otherwise stated, no timetable or any agreement or memorandum of understanding has been made or entered into by the Group in connection therewith.

VERY SUBSTANTIAL DISPOSAL – DISPOSAL OF SUBSIDIARIES

On 16 March 2018, the Group entered into a sale and purchase agreement with Ritzy Success Enterprises Limited as purchaser and Mr. Yuan Ji Zhong as guarantor to dispose of the entire issued share capital of Zen Vantage Limited ("**Zen Vantage**") and the entire sum owing by Zen Vantage to the Group (the "**Sale Debt**") as at completion at the aggregate consideration of HK$153 million which shall be adjusted to the net asset value of Zen Vantage and the face value of the Sale Debt as shown in the pro forma completion accounts of Zen Vantage (the "**Disposal of Zen Vantage Group**"). Completion shall be conditional upon, among others, the obtaining of the approval from the shareholders of the Company and the completion of the reorganisation and the business transfer within the Group. Immediately prior to the completion of such transaction, (i) Zen Vantage will be holding Chung Tai Printing (China) Company Limited, which is in turn holding 中星中大紙品發展(深圳)有限公司 (unofficial English translation being Neway Chung Tai Paper Products Development (Shenzhen) Co., Ltd.) (collectively, the "**Zen Vantage Group**"); and (ii) the principal assets of the Zen Vantage Group will be the land and properties owned by the Group in Longgang District, Shenzhen, the PRC and the building costs, leasehold improvements and fixtures on the land and properties leased by the Group in Longgang District, Shenzhen, the PRC. There will be no change to the principal business of the Group as a result of such disposal. Shareholders' approval has been obtained for the Disposal of Zen Vantage Group after the end of the Period. Completion of the Disposal of Zen Vantage Group has yet to take place as at the date of this announcement.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had cash and cash equivalents and short-term bank deposits of approximately HK$254.9 million (31 December 2017: approximately HK$302.6 million). Current ratio stood at 3.6 (31 December 2017: 4.1) and quick ratio was 3.2 as at 30 June 2018 (31 December 2017: 3.6). Both ratios indicate an ample cash flow and a stable liquidity position as at 30 June 2018.

As at 30 June 2018, total borrowings of the Group amounted to approximately HK$88.9 million (31 December 2017: approximately HK$79.4 million). Gearing ratio was 9.2% as at 30 June 2018 (31 December 2017: 7.9%), which has been calculated by dividing the Group's total borrowings by the Group's total equity of approximately HK$961.3 million as at 30 June 2018 (31 December 2017: approximately HK$1,009.5 million) then multiplying by 100%. The low level of gearing ratio indicates that the liquidity of the Group remained strong and healthy as at 30 June 2018.

The current ratio and quick ratio as at 30 June 2018 decreased as compared with the respective figures as at 31 December 2017. Such decrease was mainly due to (i) the decrease in cash and cash equivalents as a result of (a) the acquisitions of machinery and equipment for production in the PRC; (b) the renovation works carried out in the two factories of the Group situated in Shenzhen, the PRC; (c) the construction works carried out on the Qingcheng Land; and (ii) the lower inventory level kept by the Group during the Period.

The Group's total borrowings included: (i) amount due to a related company of approximately HK$1.6 million (31 December 2017: approximately HK$1.3 million); (ii) obligations under finance leases of approximately HK$61,000 (31 December 2017: approximately HK$182,000); (iii) amount due to a non-controlling shareholder of a subsidiary of approximately HK$18.0 million (31 December 2017: approximately HK$18.0 million); and (iv) secured and unsecured bank borrowings of approximately HK$69.2 million (31 December 2017: approximately HK$59.9 million). The secured bank borrowings were payable within four years and carried interests at the Hong Kong Inter-bank Offered Rate (the "**HIBOR**") plus 1.85% to 2.5% per annum. The unsecured bank borrowings contained a repayment on demand clause and carried interest at the HIBOR plus 1.5% per annum. The obligations under finance leases represented leases of certain motor vehicles for a term of less than one year at a fixed interest rate of 2.8% per annum. The amount due to a related company is unsecured, payable within one year and bears fixed interest at rates ranging from 18% to 20% per annum. The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

All borrowings were denominated in Hong Kong dollars ("**HK dollars**") and Renminbi and the majority of the cash and cash equivalents were denominated in Renminbi, HK dollars and United States dollars ("**US dollars**").

The Group generally finances its operation with cash flows generated internally and bank facilities obtained in Hong Kong. Taking into account the amount of the anticipated funds generated internally and the available banking facilities, the Group will have adequate resources to meet its future capital expenditure and working capital requirements. The Group will continue to implement its prudent policy in managing cash balances, thereby maintaining a strong and healthy liquidity level and ensuring that business opportunity will be promptly seized.

FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi, HK dollars and US dollars. Except for Renminbi, there was no significant fluctuation in the exchange rate between HK dollars and US dollars throughout the Period. The management will closely monitor the foreign exchange risk of Renminbi and identify potential significant adverse impact (if any) it may cause on the PRC operations of the Group. If necessary, the Group will consider using appropriate hedging solutions. The Group had not use any financial instrument for hedging purpose during the Period and it did not have any outstanding hedging instrument as at 30 June 2018.

CAPITAL EXPENDITURE

For the Period, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$21.7 million (six months ended 30 June 2017: approximately HK$5.2 million). The increase in capital expenditure was mainly attributable to the acquisitions of machinery for production in the PRC and the renovation works carried out in the two factories of the Group situated in Shenzhen, the PRC.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitments of approximately HK$16.1 million (31 December 2017: approximately HK$7.8 million) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment. The Group did not have any capital commitments for the acquisition of property, plant and equipment that had been authorised but not contracted for in both periods.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

PLEDGE OF ASSETS

As at 30 June 2018, the Group has pledged properties, plant and equipment and investment properties with an aggregate carrying value of approximately HK$234.0 million (31 December 2017: approximately HK$222.7 million) to secure the mortgage loan of certain investment properties, the general banking facilities granted to the Group and the obligations under finance leases. Save as aforesaid, no other assets were pledged by the Group as at 30 June 2018.

SHARE CAPITAL AND CAPITAL STRUCTURE

There was no change in the share capital or capital structure of the Company during the Period.

HUMAN RESOURCES

As at 30 June 2018, the Group had approximately 1,600 full-time employees (31 December 2017: approximately 1,500). Total staff costs (including Directors' remuneration) was approximately HK$85.1 million for the Period (six months ended 30 June 2017: approximately HK$69.7 million).

The remuneration schemes of the Group are generally structured with reference to market conditions and the qualifications of the employees and the reward packages, including discretionary bonus, for the staff are generally reviewed on an annual basis, depending on the staff's and the Group's performance. Apart from salary payments and contributions to the retirement benefit schemes, other staff benefits include participation in share option scheme and medical insurance for eligible employees. In-house and external training programmes are also provided as and when required.

EVENTS AFTER REPORTING PERIOD

The following significant events occurred after the end of the Period:

(i) on 6 July 2018, 中星中大印刷(深圳)有限公司 (unofficial English translation being Neway Chung Tai Printing (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company, entered into a sales contract with 海德堡印刷設備(北京)有限公司深圳分公司 (unofficial English translation being Heidelberg Graphics (Beijing) Company Limited Shenzhen Branch) for the acquisition of a seven-colour offset press with coating system at the contract price of RMB13,450,000 and a sales contract with Heidelberg China Limited for the acquisition of an IST UV system for the offset press at the contract price of EUR277,700. For further details, please refer to the announcement of the Company dated 6 July 2018;

(ii) at the special general meeting of the Company held on 13 July 2018, the resolution approving the Disposal of Zen Vantage Group has been passed by the shareholders of the Company. As at the date of this announcement, the Group is in the progress of fulfilling other conditions precedent to completion of such disposal, including but not limited to the reorganisation of, and business transfer within, the Group;

(iii) on 27 August 2018, the Group participated in a loan arrangement together with Free Harbour Limited ("**Free Harbour**") and 11 other co-lenders in relation to the grant of a loan in the aggregate principal amount of HK$380,000,000 to a company incorporated in Hong Kong with limited liability for a term of 12 months at the interest rates of 13.3% per annum for the 1st to the 5th month and 11.5% per annum for the 6th month to the 12th month. The principal amount contributed by the Group to such loan is HK$5.0 million. As Free Harbour's ultimate beneficial owner is a family member of Mr. Suek Ka Lun, Ernie, an executive Director and chairman of the Company, such loan arrangement constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For further details, please refer to the announcement of the Company dated 27 August 2018; and

(iv) on 31 August 2018, the Group received interests and part payment of the put option consideration from Kwong Da in respect of the Disposal of Yinghua and agreed with Kwong Da in writing to further extend the completion date to a day on or before 31 December 2018 (or such other date as may be agreed by both parties in writing). Kwong Da agreed and undertook that it shall pay interest on the outstanding put option consideration of RMB19.8 million at the rate of 10% per annum, calculated from 31 August 2018 up to and including the completion date. For further details, please refer to the announcement of the Company dated 31 August 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as code of conduct regarding Directors' securities transactions. Having made specific enquiry with of all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the Period.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions by the employees who are likely to be in possession of unpublished inside information of the Group.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises one non-executive Director and two independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies, discussed with the Board the auditing, internal controls, risk management and financial reporting matters of the Group and reviewed the interim results and the condensed consolidated financial statements of the Group for the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Board is collectively responsible for performing the corporate governance duties. The Board recognises that good corporate governance practices are vital to the maintenance and promotion of shareholder value and investor confidence. In the opinion of the Board, save for the deviations disclosed below, the Company has met the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the Period:

Provision A.2.7 of the CG Code

Provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The chairman of the Board during the Period, namely Mr. Suek Ka Lun, Ernie, was himself an executive Director and as such, compliance with this code provision was infeasible.

Provisions A.5.1 to A.5.6 of the CG Code

The Board has not established a nomination committee which is in deviation from Provisions A.5.1 to A.5.6 of the CG Code. The Board is responsible for reviewing the structure, size and composition of the Board from time to time, and the appointment and removal of Directors are subject to the Board's collective decision. The Board will identify individuals suitably qualified to be appointed to the Board when necessary. The Board considers potential candidates based on their qualifications, expertise, experience and knowledge as well as the requirements under the Listing Rules.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee and the Group's auditors, Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

A detailed interim report of the Group for the Period will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.newaygroup.com.hk in September 2018.

On behalf of the Board
NEWAY GROUP HOLDINGS LIMITED
Suek Ka Lun, Ernie
Chairman

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises Mr. Suek Ka Lun, Ernie (Chairman) and Mr. Suek Chai Hong (Chief Executive Officer) being the executive Directors; Dr. Ng Wai Kwan, Mr. Chan Kwing Choi, Warren and Mr. Wong Sun Fat being the non-executive Directors; Mr. Lee Kwok Wan, Mr. Lai Sai Wo, Ricky and Mr. Chu Gun Pui being the independent non-executive Directors; and Mr. Lau Kam Cheong being the alternate Director to Dr. Ng Wai Kwan.